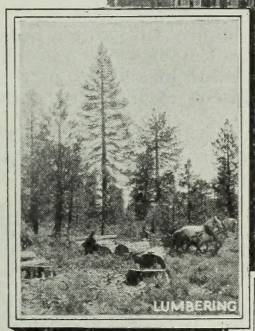
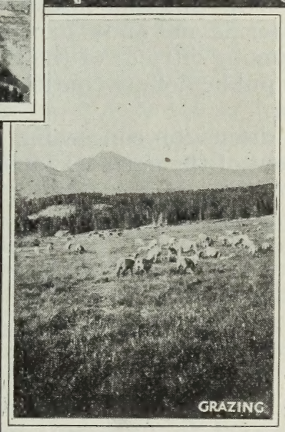
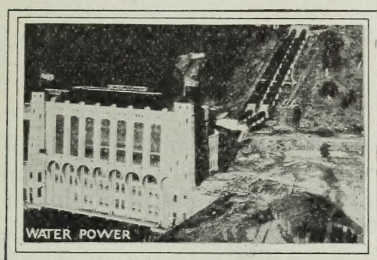


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HOW THE NATIONAL FORESTS OF CALIFORNIA BENEFIT THE STATE



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The effect of the national forests on the economic and industrial welfare of California and on its local government is a frequent subject of discussion among citizens of the State. Newspaper comment and other forms of public debate continually evidence the general interest in the question.

Most of the discussion concerning the Federal policy of ownership and management of the national forests may be classified under three principal heads:

- (1) That the national forests pay no taxes, thereby throwing a heavier burden on citizens of the State than on citizens of States that have no national forests.
- (2) That the resources of the national forests are locked up, or that their use and development are restricted, to the detriment of industry and growth in population.
- (3) That the Government is reaping large profits from the sale of timber, grazing, and other uses and products of national-forest lands and should, therefore, turn over a larger share of the receipts to the State.

These three main propositions, with variations or combinations, have been debated in California for several years. In 1926 the Forest Service therefore decided to undertake a detailed study to determine as accurately as possible the effect of the national forests on State and county tax revenues. This project was completed in 1928 and covered 85,826,560 acres of Government, State, and private lands in the 39 counties of California in which national forests are located.

The main objective of the study, since the various questions hinged on money values, was an actual comparison of the taxable value of Government lands in national forests with the cash value of the contributions which these Federal reservations are now making to the State. Much information was secured from State officials, county assessors, tax collectors, auditors, and engineers of the counties affected in any way by the Federal forests. In order to show accurately the effect of national-forest land on taxation, all classifications, assessment values, and tax rates used in appraising Government land were identical with those of each county in which such lands were located.

To form a proper background for the consideration of these questions one must bear in mind that the national forests of California are located largely in the mountainous regions of the Cascades, Sierra Nevada, and Coast Range. These regions were the most populous and wealthy in the State in the early mining days before the development of irrigation and fruit growing. Lumbering later superseded mining as the main industry in the mountains, and for the past 25 years timber has been the chief source of taxable wealth. Thirty or forty years of logging have, however, made serious inroads into the forests. Timberlands have been cut with little thought of the future and repeatedly burned until now there are several million acres of brush and waste lands in the State—lands formerly supporting valuable forests, that are now taking their place with the abandoned mines as meager sources of revenue.

Plumas County well illustrates the present conditions. In April, 1929, the county assessor called public attention through the newspapers to an increase of 77 per cent in the cut-over timberlands on the tax rolls between 1921 and 1928 and stated that within 10 years the tax rate must be increased commensurate with this loss in valuation, or other revenue-producing resources must be found. Similar investigations into the status of taxable timberlands in other counties would no doubt reveal a like situation which is bound to become a serious problem in the near future.

Coincident with the reduction of taxable resources has come an unprecedented demand for public improvements and municipal service, which, according to the State comptroller, increased the cost of county government 524 per cent from 1911 to 1926, with a consequent increase in assessments and tax rates. A still further aggravation of this condition is the steady decrease in the population in many of the mountain counties as intensive farming and industry increases in the valley regions. The natural result of these conditions is the search for new sources of revenue and the most conspicuous of these are the lands included within the national forests.

CONCERNING THE PROPOSITION THAT THE NATIONAL FORESTS PAY NO TAXES

The national forests of California comprise an area of 18,971,409 acres, or about one-fifth of the land area of the State. They occupy almost entirely the rough mountainous regions of the Cascades, Sierra, and Coast Range where the major portions of the pine and fir forests of the State are located. In southern California, where watershed protection is the main object, the national forests include the Sierra Madre and other coast ranges tributary to the rich irrigated fruit regions of the southland.

THE 25 PER CENT FUND

According to Federal law, 25 per cent of all revenues derived from the sale and use of national forest timber, forage, and other resources is turned over to the State for distribution to the counties for school and road purposes. In this distribution by the State the money derived from each national forest is prorated among the counties within which the national forest lies in accordance with the percentage of national forest land in the several counties. By this method the

money is returned to the locality in which the revenue originated without cost of collection to the State and counties.

For the fiscal years 1923 to 1927, inclusive, the amount of national-forest receipts returned to the State and distributed to the counties averaged \$297,554 per year, and has been increasing steadily. For the fiscal year 1929 it was \$354,785.

THE 10 PER CENT FUND

Federal law also requires that an additional 10 per cent of all receipts of the national forests be expended by the Forest Service for trails and minor roads in the counties in which the national forests are located. This fund averaged \$119,021 annually for the fiscal years 1923 to 1927, inclusive, and for the fiscal year 1929, \$141,914 was authorized.

DIRECT APPROPRIATIONS FOR FOREST ROADS AND TRAILS

Congress has definitely recognized the obligation of the Federal Government as a landowner to do its part in the development of the State, interstate, and local highway system in, across, and adjacent to the national forests by an annual appropriation for national-forest roads. Two appropriations, authorized in 1916 and 1919, respectively, have already been expended. Present appropriations are authorized under section 23 of the Federal highway act, approved November 9, 1921. These appropriations are divided, part being for the construction of roads forming portions of the interstate, State, and county highway system known as the forest highways fund, and the balance for roads and trails needed primarily to protect and utilize the resources of the forests, known as the forest road development fund. The forest highway fund is expended in accordance with an annual program made up jointly with the State highway commission, the Bureau of Public Roads, and the Forest Service, and approved by the Secretary of Agriculture. Construction work is done by the Bureau of Public Roads, and on the State highways State construction standards are followed. The forest development fund is expended by the Forest Service on roads of a relatively low standard of construction.

These appropriations, amounting to over \$13,000,000 to July 1, 1929, for California, are in addition to the general Federal aid or post road act and are made solely on account of national forests. If this appropriation should cease the cost of all road and trail construction to protect and utilize the resources of the present national forests would have to be met entirely from State and county revenues with a certain increase in tax rates to meet these expenditures.

For the fiscal years 1923 to 1927 the Federal funds appropriated for roads and trails in and adjacent to the national forests of California, including the 10 per cent fund, averaged \$1,205,564 per year.

INDIRECT CONTRIBUTIONS TO LOCAL COMMUNITIES

The Forest Service grants free permits for timber for home use by settlers and prospectors, makes sales of timber at cost to farmers and settlers for improvements on their farms, issues free grazing permits for milk and work stock up to 10 head for each resident rancher in or adjacent to the national forests, and cooperates with State authorities in planting fish and in enforcing the State fish and game laws.

Assistance is also given the State, counties, and private individuals in fire protection and protection against forest insects and tree diseases. The annual cash value of these benefits to the local communities is estimated at \$12,056.

SUMMARY OF DIRECT RETURNS AND BENEFITS TO STATE AND COUNTIES, ANNUAL AVERAGE, 1923-1927

25 per cent fund.....	\$297, 554
Road and trail expenditures (including 10 per cent fund).....	1, 205, 564
Indirect contributions.....	12, 056
	<hr/> 1, 515, 174

This is equivalent to a tax of 8 cents per acre per year for all national-forest lands, including rocky and barren areas, or other lands of no value for grazing or timber from which no revenue can be derived by the Federal Government, although expenditures must be made each year for their protection and development.

PRESENT RETURNS VERSUS PROBABLE TAX REVENUE

This sum of \$1,515,174 per year, returned by the Federal Government to the State and counties, is, in effect, a direct offset against taxes which might be collected if the national forests did not exist. A comparison between this amount and the tax revenue value of national-forest lands shows that of the 18,971,409 acres of Government forest land in California only 4,179,148 acres are in the taxable category. The remaining 14,792,261 acres consist of inaccessible timber stands, nonmerchantable stands of young growth and inferior timber, brush lands, and considerable areas of barren lava or granite which are found along the summits of the mountain ranges. A large part of this area is used for summer range for stock but is of such low forage value that profitable private ownership is not possible. Land of this character is not worth paying taxes on, yet under Forest Service management it does return a small revenue to the State and county through receipts from grazing fees. In nearly all cases the lands classified as nontaxable have valuable watershed cover and must be protected and managed to safeguard that important function.

There is almost no agricultural land in California within national-forest boundaries remaining in Government ownership. What did exist was largely acquired privately before the national forests were created, or taken up later under the forest homestead act of June 11, 1906. A thorough land classification of the national forests was completed in 1920, and all lands primarily of agricultural value, where occurring in sufficiently large tracts to make an economic farm unit, were classified as agricultural and opened to homestead entry. The Forest Service has since found that, in its desire to be fair with prospective settlers, it was entirely too liberal in its classification. Some 7,000 tracts embracing 328,000 acres were opened to homestead entry in California. According to the last report 56 per cent of these homesteads have been abandoned. On the Modoc National Forest 88 tracts were opened to entry and only 3 are actually occupied to-day. This is an economic condition confronting not only national-forest land but all land situated in the mountains. Lands in western Trinity and eastern Humboldt Counties, which were homesteaded 15 to 60 years ago, are 72 per cent abandoned, and like conditions exist in portions of the Sierra Nevada and Coast Range.

In the study made by the Forest Service, Government timberlands and grazing lands were classified and assessed by the same system and tax rates effective in the counties in which they were located. The result is as follows:

Probable annual tax returns on 4,179,148 acres of national-forest land if in private ownership, based on assessment rates applying to similar private land in county concerned.....	\$1, 168, 770
Total annual contributions by the Government from 25 per cent fund, 10 per cent fund, road and trail appropriations, and indirect contributions.....	1, 515, 174
Difference in favor of national forest administration.....	346, 404

The actual situation is, therefore, that the national forests, under the administration of the Forest Service, are not only paying their full share of taxes but are actually contributing \$346,404 more than if the same lands were taxable under private ownership.

FUTURE RETURNS FROM THE NATIONAL FORESTS

Conservative estimates, made on the basis of present timber stumpage prices, grazing fees, and rental of Government lands show that the present annual returns from the national forests to the State and counties will be double when the national forests are fully developed.

National-forest timber resources are managed on the sustained-yield plan, which means that cutting in each locality is no faster than the replacement by growth. At present the annual cut is far below the potential cut. This is due chiefly to the relative inaccessibility of the national-forest timber. The bulk of the timber cut in California (about five-sixths of the total) comes from private holdings, which, having been acquired before the creation of the national forests, are the most accessible and bear forests of the best quality. So far, sales of national-forest timber have mostly been on tracts intermingled with private holdings, and the Forest Service has not pushed the sale of Government stumpage in the face of a general overproduction of lumber. With the exhaustion of private stumpage will come a gradual increase in the sale of national-forest timber.

CONCERNING THE PROPOSITION THAT THE NATIONAL FORESTS ARE LOCKED UP OR RESTRICTED IN USE

As has been repeatedly asserted in the regulations and policies governing the national forests and demonstrated in practice for more than 20 years, all products and resources of the forests are available for use.

In the national forests of California more than 300,000,000 feet of lumber are cut annually by about 580 operators; 500,000 head of sheep and goats and 200,000 head of cattle and horses are grazed by over 2,000 permittees. In 1928 nearly 2,500,000 persons used the national forests of the State for such recreational pursuits as hunting, fishing, camping, and picnicking. The Federal Government spent \$20,000 in that year to provide sanitary camp grounds. The public freely enjoys recreational advantages on Government lands in the high country, and on lakes and streams, for which they would have to pay many thousands of dollars annually if these lands were privately owned.

A few local figures on county incomes versus national-forest benefits, taken from the tax study of three counties, may be of interest to show present conditions in California:

TABLE 1.—*Incomes of three counties and national-forest benefits*

Item	Name of county		
	Alpine	Plumas	Trinity
Total area of county.....acres.....	496, 640	1, 660, 160	2, 026, 240
Total income, all sources.....dollars.....	30, 420	569, 230	161, 388
Area national-forest land in county.....acres.....	402, 114	1, 047, 296	1, 347, 723
Total income and benefits received by county from Forest Service.....dollars.....	12, 332	68, 606	43, 667
Area of national-forest land adapted to private ownership.....acres.....	18, 132	234, 579	144, 530
Probable tax returns if alienated.....dollars.....	1, 583	51, 788	33, 109
Average amount of national-forest funds expended in county annually.....dollars.....	18, 804	118, 529	120, 448

Here are three counties, from 60 to 80 per cent covered with national forests that are undoubtedly much better off under present conditions than if the Government land were open to entry. Figures in several other counties show even greater benefits from the presence of the national forests.

CONCERNING THE PROPOSITION THAT THE STATE IS ENTITLED TO A LARGER SHARE OF THE NATIONAL-FOREST RECEIPTS

It has been shown that the national forests are now contributing more to the State than could be raised by tax revenue if there were no national forests. On the other hand, the receipts from the national forests of California have never equalled the expenditures for administration and protection. For the fiscal year 1929 the total expenditures for the California national forests were \$3,526,984 and the receipts were \$1,419,140, leaving a deficit of \$2,107,844. For the fiscal years 1925 to 1929, inclusive, the total receipts were \$6,201,300 and the disbursements \$14,752,250—a deficit of \$8,550,950. Neither of these two deficits included the 25 per cent refund to the State and counties, which if added would increase the deficits to \$2,462,629 and \$10,101,275, respectively.

These figures show that the Federal Government is not making rich direct profits from the national forests. They indicate the extent of the financial obligation which would have to be assumed by another agency if it took over and managed the national-forest areas on the same scale as that now maintained under Federal control. It is not to be expected that the people of the State would be content with less intensive management and development. Handling of these areas in the public interest does not produce net revenue.

MAJOR BENEFITS OF THE NATIONAL FORESTS

Protection of national-forest timber resources and management of these resources on a sustained-yield plan insure both a substantial permanent contribution to the timber supply of the country, and a considerable measure of stability to the State's lumber industry and to the communities so vitally dependent thereon.

Most of the streams supplying domestic water to cities and towns, water for irrigation in farming regions and for hydroelectric development (in which California stands first among the States), have their

source in the national forests. Experience in many countries has shown that public ownership, or regulation equivalent to public ownership of the forests covering important watershed values, is essential to general welfare.

Regulation of the use of national-forest grazing lands has brought order out of the chaos of earlier unrestricted use and has stabilized the grazing of mountain ranges by the allotment of ranges, development of new pastures, and eradication of poisonous plants.

Through its development of roads, trails, and camp grounds, the Forest Service has benefited millions of transients and campers, picnickers, and summer visitors to the national forests, and this use of the forests is increasing rapidly each year.

Free timber, or timber sold at cost, is available to prospectors, settlers, and farmers in and near the forests.

The national forests contain the breeding grounds and range for wild life, and much of the hunting and fishing grounds open to free public use. The Forest Service cooperates with the division of fish and game, State Department of Natural Resources, in protecting and increasing the supply of fish and game. Every forest ranger is a special deputy game warden, serving without compensation from the State. Game and fish are regarded as major resources of the national forests. All revenue from fishing, hunting, and trapping licenses goes to the State.

From none of these does the Federal Government receive a direct money return, yet in the aggregate these form a major contribution to the social and economic welfare of the State.

CONCLUSIONS

The national forests of California under the present form of administration are contributing to the State and counties \$346,000 more per year than would be received if the potentially taxable Government land in the forests was in private ownership.

This yearly contribution will steadily increase as the national-forest resources come to be fully utilized under an economic process of development.

The Federal Government, by its payment of 25 per cent of all receipts to the State and counties, is making a far more liberal return than any industry could stand.

The total expenditures of the Federal Government for protection and administration of the national forests of California exceed the receipts by more than \$2,000,000 annually.

Up to June 30, 1929, Federal money amounting to over \$83,000,000 has been authorized for the specific purpose of improving national-forest roads and trails, and of this amount the allocation to California has been in excess of \$13,000,000.

Federal administration and protection of national forests insures permanence, stability of management, and the highest use of the natural resources of the forests for the benefit not only of California but of all the people of the Nation.

